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AUTHOR Westbrook, Kathleen C.
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ABSTRACT

This paper focuses on state school financing systems based on the wealth of the state as a whole rather than on the wealth of a student's parents, neighborhood, or community. Studies highlight the fact that when the choice between programs and operations is debated, capital needs become the priority concern. The needed dollars and lack of state-level commitments may be even greater than estimates indicated. It is becoming increasingly more difficult to divert state and national dollars toward public education. There can be no effective plan to garner additional fiscal resources, when every district in every state fights a singular battle. Suggested is a national study for the collection of baseline data, ongoing longitudinal analysis involving issues related to the improvement of the infrastructure, and assistance in the prevention of resource-draining litigation while continuing to monitor and promote educational equity, adequacy, and fiscal economy at the local, state, and national levels. Appended are 34 references. (SI)

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K-12 CAPITAL OUTLAY: THE NEED FOR A NATIONAL INVESTIGATION

Kathleen C. Westbrook
Assistant Professor of Education Finance
Dept. of Ed. Policy, Foundations, & Admin. Studies
Portland State University, School of Education
Portland, Oregon

presented at
The Annual Meeting of The American Education Finance Assoc.
San Antonio, Texas
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The issue of state school financing systems as fiscally equitable first claimed national attention when the California Supreme Court (Serrano vs. Priest (557 P.2d 1241) held a child's right to an education could not be based on the wealth of his parents, neighborhood, or community - but rather on the wealth of the state as a whole. A state system which did so, violated the equal protection provided by the federal constitution.

This controversial decision - upheld subsequently in Serrano II, and most recently in Serrano III (557 P.2d 929; 226 Cal. Rptr. 584, Cal. App. 2 Dist. 1986) not only held educational equity is a function of the state's wealth as a whole, but also firmly established the concept of wealth neutrality within state educational financing systems.

Programs related to capital-fixed asset provision were not overlooked by the courts in reviewing these equitable provisions, but in the wake of the educational and fiscal bankruptcy issues under consideration issues related to capital acquisition and financing were - to say the least - minimalized.

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The prominence of the educational bankruptcy and programmatic fiscal issues have overshadowed capital concerns for too long. In Hollins vs. Shofstall (515 P.2nd 590 (1973)), Robinson vs. Cahill (62 N.J. 473, 303 A. 2d 273), Pauley vs. Kelly (162 W.Va. 672, 255 S.E. 2d 859(1979)), and Serrano III (226 Cal.Rptr.584, Cal. App.2 Dist. 1986) the courts stated funds for capital improvements were more closely tied to district wealth than those of operating expenses. The Cahill summary specifically held equal educational opportunity could not be provided with inadequate capital expenditures.

Yet, with all of this the exact nature and extent of the current situation is still unclear. We know that approximately one-third of all states have some type of capital assistance program "on the books", and that these mechanisms were established as add-on's to local reform initiatives for operating expenditures over the past 10-20 years (Webb, 1979).

We also know that capital outlay has differing definitions and limits in individual states, but always with reference to the acquisition of fixed assets for local schools (Webb, 1979).

We also know that approximately 75% of all public school capital programs are financed through taxes on real or personal property (Salmon and Thomas, 1981)., and that in states with state-loan programs based on permanent funds, amounts allocated are generally small, fixed, and bear little relationship to the needs of local schools (Webb, 1979; Westbrook, 1987).

The studies of public school capital programs conducted over the last two decades have not been sufficiently holistic in focus. Occasionally, organizations such as CEFPI, AASA, or the Council of Great Cities Schools have commissioned studies focusing on particular areas of capital financing (AASA/Council, 1983;). The last federal effort occured in 1970 (M.Barr,et al, 1970) - but generally efforts over time have been "loosely coupled" to educational goals, long-range planning, and finance reform initiatives. In many ways educators, as well as communities,maintain the myth that educational structures bear no relationship to the conduct of their activities.

But today schools are more than simply structures. They are centers of social, intellectual, physical, and technological exploration. Their forms must no longer just follow their functions - but be thoughtfully designed to complement, enhance,

and drive their programs. Today's schools have more "things" of education. Computers, space & oceanographic technology, theatre, film, drama, and programs which mainstream severly and profoundly handicapped as well as gifted and talented children - all within single school structures - and with very few signs of decline.

But what relationship do these issues bear for a national investigation ?

Recent reports by the Institute for Educational Leadership (IEL, 1988) and the Carnegie Foundation for the Advancement of Teaching (Carnegie, 1988) detail the substantive decline in the physical work environments of schools both for students and teaching and administrative personnel. These studies highlight the seriousness of an issue which, when choices between programs and operations are made capital needs are placed at the bottom of priority lists.

The average age of school buildings in this country is 50+ years old (Salmon & Thomas, 1981; Webb, 1979; Westbrook, 1987). We need to know <u>exactly</u> what is happening to every structure, in every district, of every state. What capital programs are in place and how they conform to traditional finance descriptors - or how the descriptors have changed relative to the needs of capital programs.

Are the individual states funding the programs already in place? And if they are, at what level of support are they maintained? How do today's local districts actually finance building or rebuilding of capital-fixed assets and what do they do when financing is unavailable?

New state initiatives, such as economic developmoent incentives have had lasting effects on economic upturn in many states. Have these had any noticeable effect on local districts' ability to finance capital expenditures? If so, what are these effects, what relationships exist betwen them and existing models of capital provision for schools, and to what extent has there been an effect on local constituent attitudes toward school finance referenda and taxation rates?

Five years of interest in the reform of the American education system and the equity of resource provision and outcomes has resulted in the overhaul of many state school financing systems. Yet most of these reforms have purposively ignored the infrastructure side of the investment, placing emphasis only on measuring and assessing the most difficult of outcomes - the degree of educational improvement attributed to an increased input of state dollars. A similar investment of dollars in the fixed assets ledger would show a visible, and demonstrable outcome. An outcome which sends clear, strong

signals to teachers, students, and communities. Signals that say we CARE about the conditions of schooling, and the atmosphere which is needed to enhance and develop the intellectual and social citizenry of tomorrow.

The estimated value of todays national capital plant exceeds half-a-trillion dollars (Time, 1988). That estimate is vague, and based on historic, not current dollars. We need to know the current dollar levels of deferred maintenance versus deferred construction. We have estimated that the deferred maintenance figures originally compiled by the Council of Great Cities School of $25 billion has risen to approximately $28 billion (AASA/Council, 1983; Montague, 1987). Is this accurate? What is the actual level of deferred construction needed to alleviate the pupil/space crunch, and replacement of worn structures? How has the recent trend of increased voter resistance and bond referenda defeat actually escalated these figures to higher levels?

What will it cost to replace or bring all school structures up to the level required of current programs? A recent issue of the Journal of Education Finance (JEF, 1988) supports this paper's premise that the needed dollars and lack of state-level comittments may even greater than our previous estimates indicated.

There has never been a continuous, systematic, collection of data for the ongoing, longitudinal, fiscal policy analysis and documentation of developmental changes of either the need or support mechanisms for public school capital needs.

There has been no single place local, state, and national practitioners or policymakers could obtain current, reliable trend data on the status, condition, and financing of local school capital programs. Each effort in this area has been singular, short-term, and to greater or lessor degrees "reinvented" the wheel - but with gaps in time, geographic locality, or precision due to the press of policy makers' needs.

There can be no effective plan to garner additional fiscal resources, when every district in every state fights a singular battle. Local schools require access to policy-relevant data, similar to state and national legislative personnel, in order to ground their arguments for changed policies and formulae to local and state constituencies - and to understand where they stand relative to other schools within their geographic regions, of similar size, socioeconomic status or wealth, across their states and the nation.

It is becoming increasingly more difficult to divert state and national dollars toward public education. The "window of opportunity" open to public education since 1983 already

receives reviews of sufficient improvement in legislative corridors around the country. Public schooling's ability to stave off a press by other social service agencies, prisons systems, and other state-level agencies for a turn "in the economic sun" will be difficult at best - at worst the window will close and leave educators once again on the outside looking in.

School finance, business and industry leaders around the country call for schools to train workers for an information and technological society. School finance personnel have been warning of the imminent decline in the capital infrastructure for over a decade (Alexander & Wood, 1983; AASA, 1983; Barr & Wilkerson,1973; Carnegie, 1988; Earthman, 1986; IEL, 1988;) yet we are asked to do these tasks in structures designed to house programs of agrarian and industrial age economies. The financing and improvement of the educational infrastructure must not overlook the condition of its most important training field - one currently in its second "half-life" - public school structures themselves. These structures, their maintenance, operation, and renovation are extremely costly. However, their continued neglect portends an even greater cost in escalating levels of decreased motivation and attendance by their users - a cost which inflicts far greater damage on the American level of literacy. We have identified the enemy yet continue to imperil

a nation we already know to be at risk (Barr & Wilkerson, 1973; IEL, 1988; Risk, 1983).

Producing school buildings appropriate to an information and technology age will not come cheaply. It will also NOT occur by magic or happenstance. In order to BE effective structures they must be PLANNED as effective.

In order to be effective, school leaders and planners must not only plead their case, but marshall their requests with relevant and CURRENT policy data. A national study, and the establishment of a capital capacity databank for the on-going process of data collection, analysis, and reformulation of K-12 capital program policy building is one way of providing for these needs.

School buildings are the primary long-term resource of public school districts (Honeyman and Stewart, 1985a, b). Although some states and districts monitor needed repairs and replacement of facilities, others delay costs until total replacement of facilities is required. Expenditures of this nature may be delayed due to decreased state assistance, defeat of bond referenda, taxpayer resistance, bonding limitations, stable or declining enrollments, state and local policies/politics (Westbrook, 1987) or a combination of these and other factors.

A recent statement by state financial analysts (Montague, 1987) identified capital programs as the top finance priority in the coming decade related to state school aid. Just recently, Executive Director of CEFPI (Council of Educational Facility Planners, International), Tony Wall, (CEFPI, 1988) called for CEFPI to provide the leadership necessary to impact legislative decisions at the state and national levels and create a NEW REFORM agenda.

But legislators have preconceived notions and assumptions about the needs, value, and priority of school facility issues. When Marshall, Mitchell & Wirt studied (both by survey and interviews) state legislative personnel they found of the seven major educational policy mechanisms school finance ranked first and facility policies ranked last (Marshall, et al, 1986; Mitchell, et al, 1985).

Local constituencies continue to resist additional burdens placed on an already overstressed property taxation system. The ability of school systems to stave off the press of other state agencies for limited resources will not diminish. Issues of wealth neutrality, adequacy, and equity continue to be litigated. In the meantime the timeclock of deterioration of the educational infrastructure continues to tick away. We as

professionals involved in the support and financing of public education can no longer allow capital issues to hold second-class status, nor dismissed solely as issues of local control or ancillary to programmatic concerns. It is true we don't need buildings for education to occur. But if we want public schools systems as we know them to continue, to improve, and to prosper, than physical structures which are more than "holding bins" are necessary. Educational facilities are the workplace of today, and the training fields of tomorrow's workforce.

We have subjected the infrastructure of the educational system to a benign neglect which now threatens it's very existance. In 1973 Barr and Wilkerson warned us that financing of school facilities through dependance on the local property tax had already outlived its usefulness (Barr & Wilkerson, 1973). In 1988 the National Governors' Association reported almost a verbatim message (Time, 1988). We now estimate our deferred maintenance and capital needs in excess of $28-30 billion dollars.

It it readily apparant the finance and legal challenges of the 1960's and 1970's had little effect on the underlying attitudes and assumptions legislative, poltical, and economic gatekeepers maintain about school facilities. We can no longer allow a "patchwork" policy to provide and maintain an adequate

and equitable infrastructure. The evolution of technology in combination with the ageing of our in-place structures and continued shifts in program needs for new populations, demands a new and improved physical environment. Recent articles centering on finance issues have begun to once again emphasize issues related to "economy" and "efficiency". It is neither economical, nor efficient, to willingly permit the existing infrastructure to deteriorate.

The time is right for a substantive and renewed emphasis, and the development of a hightened sense of awareness in policymakers and in practitioners, from those who research the theoretical and political forces impacing educational finance.

The establishment of a national databank dedicated to the collection, documentation, and analysis of current practice as well as the review, analysis and reformulation of local and state policies can lead in this direction. A national study for the collection of the baseline data, and the ongoing longitudinal analysis of these issues is needed to improve the infrastructure, and assist in the prevention of resource-draining litigations while continuing to monitor and promote educational equity, adequacy, and fiscal economy at the local, state, and national levels.

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